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Division of Budget and Analysis
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Michael F. Easley, Governor
Dempsey Benton, Secretary

James B. Slate, Jr., Director

March 4, 2008

MEMORANDUM

TO: Division Budget Officers

FROM: Jim Slate

A handwritten signature in blue ink that reads "Jim Slate".

SUBJECT: Budget Revision Instructions

The Office of State Budget and Management (OSBM) recently shared some concerns regarding the department's budget revisions. In order to address these concerns this memo provides guidance in two areas of budget revisions, lapsed salary revisions and justifications for when a revision will allow a fund to be over expended.

Lapsed Salaries: OSBM is encouraging all state agencies to isolate lapsed salary usage on budget revisions. This practice helps clearly identify budget revisions that use lapsed salaries and the purposes for which lapsed salaries are used. It also allows the tracking of the amount of lapsed salaries used. This is especially important given the 50% limitation on the amount of lapsed salary that may be used and will assist in determining when an exception to the 50% limitation should be requested. The isolation of lapsed salary usage can be accomplished in one of two ways. A budget revision can be completed utilizing lapsed salary only, or the lapsed salary usage can be combined in a budget revision with other actions. If a division chooses to combine multiple actions on a single budget revision, then the justification must clearly identify the amount and purpose of lapsed salaries usage.

Justifications of 606s: The new State Budget Act limits our ability to over expend a fund. The three criteria that must be met in order to over expend a fund are detailed in G.S. 143C-6-4. These are 1) the over expenditure is authorized on a nonrecurring basis; 2) the over expenditure was unforeseen and 3) the scope of the program is not increased. All budget revisions that over expend a fund must meet all three criteria. Justifications on the budget revisions have not been addressing all three criteria. Therefore, more detail must be provided in the justification section of the budget revision that either directly or indirectly addresses the criteria above. For example, many revisions budget increased grant funds. If the source of the increased funds is from federal carryforward then it meets all three criteria above - nonrecurring, unforeseen and within scope, but this detail is often left out of the justification. If it is a new grant that was received after the budget passed, then stating this fact addresses the unforeseen criteria, however the other two criteria must still be addressed in the justification.

Additionally, budget revisions are public documents and can be viewed by individuals outside of DHHS and OSBM. Many budget revisions are viewed by the Fiscal Research Division of the General Assembly. It is therefore imperative that the justifications on the budget revisions be clear, concise and easily understood. Any individual reading the justification portion of the budget revision should be able to understand the purpose of the revision and exactly what the revision will accomplish.

Beginning with this memorandum, memoranda with instructions specific to Budget Officers will be placed on the Budget and Analysis website under 'Memoranda to Budget Officers'. We will continue to issue numbered memoranda to Division Directors with a copy to Budget Officers for items that affect the overall operation of the divisions.

The analysts in our office will be reviewing all budget revisions in accordance with these instructions. Please contact your analyst if you have any questions about the information in this memorandum.

JS:dl

Cc: Rob Kindsvatter
B&A Analysts